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SUBJECT: SWISS AGAINST A SIX-MONTH STRATEGIC REVIEW:
SUPPORT TURKEY'S CHANGE OF STATUS AT THE EBRD

REF: SECSTATE 41999

¶1. (SBU) SUMMARY. During an April 24 meeting with Swiss State Secretariat for Economic Affairs (SECO), Economic Cooperation and Development officials Raimond Furrer and Nathalie Floras told Emboff that Switzerland is "favorably inclined" to support Turkey's request to change membership status from a donor country to a country of operation at the European bank for Reconstruction and Development (EBRD). Furrer and Floras said Turkey has been discussing this move with the EBRD directors in London since 2005, and Switzerland, following the November 2007 EBRD report on the legality of a change, believes the EBRD can accommodate Turkey's request through a change in interpretation of the EBRD's articles of incorporation. SECO does not support the USG's proposal for a six-month strategic review because this would effectively end the current EBRD Capital Resources Review (CRR-3) and negatively impact the 2010 adoption of CRR-4. Furrer added that Turkey must make a decision by the end of April to submit a request for change of status, and he hoped, if Turkey submits its request, that the USG will help the EBRD membership reach a consensus during the May 18-19 meetings. END SUMMARY.

TURKEY BEGAN SOUNDING OUT EBRD IN 2005

¶2. (SBU) During an April 24 meeting with SECO officials to encourage the Swiss Government to support the USG's plan of organizing a six-month strategic review to consider, among other items, Turkey's request to become a borrower at the EBRD, Furrer stated that Turkey's request was originally floated in 2005. The Turkish EBRD alternate governor in London has raised this issue on several occasions since then and the discussions resulted in a November 2007 EBRD paper reviewing the two paths the bank could pursue to accommodate Turkey: (a) a new interpretation of the articles of incorporation -- easy; and (b) changing the articles of incorporation -- difficult. Furrer stated that the Swiss Government will support Turkey's application to become a borrower if Ankara submits its request for a change of status. Furthermore, SECO believes Turkey will only launch its bid if it is certain to "win", which Floras interprets to mean consensus support in London.

¶3. (SBU) Switzerland is in favor of the change because SECO economists place Turkey in the "transitional economy" group and believe the EBRD can assist Turkish economic development. Turkey still has market rigidities that enable the EBRD to fill the void where market failures result and Turkey will benefit from EBRD expertise and advice.

SIX-MONTH STRATEGIC REVIEW INAPPROPRIATE

¶4. (SBU) Floras stressed that Switzerland believes a six-month strategic review would be inappropriate for two reasons: (a) the government already supports Turkey's plan; and (b) an out of cycle review would weaken the CRR process. Introduction of a special six-month strategic review could weaken the current CRR-3, which is already "off track" in a positive sense in that the EBRD is ahead of where it projected itself to be in 2005, according to SECO. Furthermore, a strategic review, a little more than a year before the CRR-4 is to begin, would not help the bank redefine itself now that a major number of countries have moved out of the program. Furrer commented that the bank needs to develop a plan for the next 10 to 20 years and must illustrate to the member nations that it continues to provide a service and is not duplicating World Bank or other international financial institutions' work. He stressed that the taxpayers must also see that their money is not being wasted. A review between CRR-3 and CRR-4 would not help the bank achieve these objectives; therefore, Furrer said SECO can't support the USG's proposal.

SWISS WANT TO AVOID "DISUNITY", BUT MOVE IS ANKARA'S TO MAKE

¶5. (SBU) While SECO does not support the USG's proposal, Furrer stressed that Switzerland does not want the May meetings to devolve into a public spat among members over Turkey's request to change status. The consensus nature of the EBRD makes it important that the permanent executive directors are in agreement on this matter should Turkey make

the decision to submit its request. Furrer added that the Turkish alternate director in London has spoken with the Swiss permanent executive director about their plans and Furrer was encouraged that the USG is speaking with Ankara and officials in London. In the end, Furrer stated, it is Ankara's decision to make and they need to make their request by the end of April for it to be considered during the May 18-19 meetings.

COMMENT

¶6. (SBU) SECO confided that the Swiss EBRD permanent executive director in London is driving Swiss policy on this issue. The Swiss and Turkish representatives have spoken on this subject, but there have been no recent conversations or efforts to coordinate positions. The Swiss Government's main concern appears to be the potential bad publicity of a split vote in London, not that the EBRD could be irreparably harmed by Turkey's move to borrower status. END COMMENT.
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